Manitoba

Annual Report 1987

Manitoba Municipal Employees Benefits Board

Manitoba

Minister of
Municipal Affairs

Winnipeg, Manitoba, CANADA
R3C 0V8

May 18, 1988

His Honour George Johnson
Lieutenant Governor of Manitoba
225 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

As Minister responsible I have the privilege of presenting for the information of Your Honour the Eleventh Annual Report of the Municipal Employees Benefits Board for the calendar year ended December 31, 1987. The Report was prepared under the direction of my predecessor, Bill Uruski.

Respectfully submitted,

Glen Cummings

Manitoba

Municipal Employees Benefits Board

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May 18, 1988

Honourable Glen Cummings
Minister of Municipal Affairs
330 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting to you the Eleventh Annual Report of the Municipal Employees Benefits Board. The Report summarizes the activities of the Board in the 1987 calendar year and details the status of the pension, disability, and group insurance programs.

Audited financial statements, submitted as required by the Provincial Auditor, are appended to the Report.

These statements reveal the financial strength and administrative soundness of the Municipal Employees Benefits Fund and indicate municipal and quasi-municipal participants can continue to receive and expect to receive retirement, disability and insurance benefits as promised. Board members and the Board's supporting administrative staff are to be commended for their devotion, diligence and dedication in providing municipal employees with a financially secure benefits package.

Respectfully submitted,

G.D. Forrest
Chairman

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Report of the Board

This 11th Annual Report reviews and highlights the administrative and investment activities of the Municipal Employees Benefits Board for the calendar year 1987.

The Municipal Employees Benefits Board was established under subsection 179.12(1) of the Municipal Act in 1975.

The Board is appointed by the Lieutenant Governor in Council and is comprised of two employee representatives, two employer representatives and a chairman.

The Board is responsible for the administration of the provisions of the benefit plans established in accordance with the Municipal Act to provide benefits for employees of participating municipalities and quasi-municipal employers in Manitoba. Some of the required administrative and support services are provided by the staff of the Civil Service Superannuation Board.

As Trustees of the Municipal Employee Benefits Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee which is a subcommittee of the Board.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

The Board is responsible for administering the Pension Plan which involves collecting employer pension contributions and pension contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds and other benefits on termination, negotiating reciprocal agreements to provide portability of pensions, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing annual benefit statements, and preparing brochures outlining the benefits, newsletters, financial statements and an annual report.

The Board also administers the Group Life Insurance Plan which provides group life insurance and accidental death and dismemberment insurance for participating employees. The Board collects insurance contributions on behalf of the Constellation Assurance Company (administrator for the insurance carrier — Prudential Assurance), pays the necessary premiums, pre-audits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, to pay waiver of contribution benefits on disability, and to stabilize the premium rate.

In June, 1981, the Board began to administer the Disability Pension Part of the Plan which provides long-term disability benefits to disabled employees who qualify. The Board collects employee and employer contributions, processes applications for disability benefits, pays disability pensions, prepares explanatory literature and provides counselling to disabled employees.

It is a pleasure to acknowledge the contributions many municipal and quasi-municipal employers made to facilitate the administrative functions of the Board. As well, support staff of the Board deserve warm recognition for their dedication and conscientious service to the Board, and through it, to municipalities, and municipal and quasi-municipal employees who are participating in the Benefits Program.

THE MUNICIPAL EMPLOYEES
BENEFITS BOARD

Municipal Employees Benefits Board

Chairman

Gerald D. Forrest
Chairman, Municipal Employees Benefits Board
Deputy Minister, Municipal Affairs
Winnipeg

Employer Representatives

Elmer Greenslade
City of Portage la Prairie
Representative, Manitoba Association of Urban Municipalities

Dave Harms, Reeve
R.M. of Pembina
Representative, Union of Manitoba Municipalities

Employee Representatives

Tom Clark, Vice Chairman
Municipal Employees Benefits Board
C.U.P.E. Winnipeg

Frank Woodmass
City Treasurer
City of Brandon

General Manager

Walter Worosz
General Manager, Municipal Employees Benefits Board
General Manager, Civil Service Superannuation Board
Winnipeg

Staff

Maureen Gander, Director, Benefits Program
Diane Ell, Benefits Coordinator
Kelly Davis, Kay Bakker
Verna Joachim

Consulting Actuary

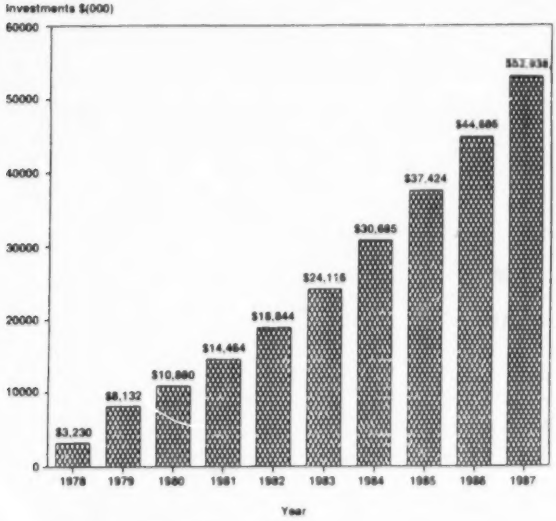
John A. Turnbull, F.S.A., F.C.I.A.

Municipal Employees Benefits Program
10 Year Comparative Statistics

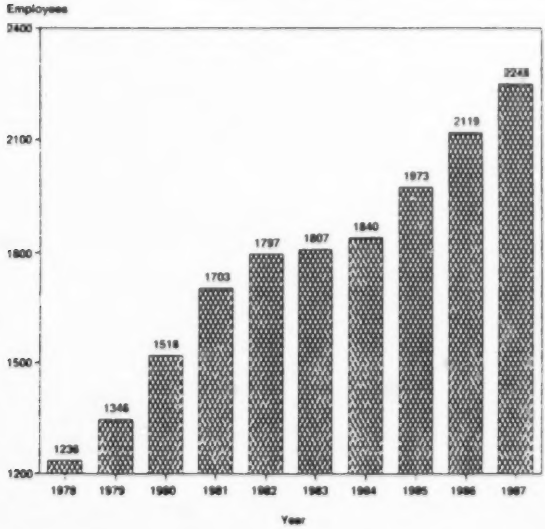
	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Pension Part of the Pension Plan										
Book Value of Investments	$52,937,614	$44,686,299	$37,424,278	$30,684,513	$24,116,494	$18,844,437	$14,463,759	$10,879,864	$8,132,148	$3,230,232
Investment Income	$ 4,865,009	$ 4,395,536	$ 3,801,031	$ 3,035,670	$ 2,409,185	$ 1,855,948	$ 1,333,579	$ 895,796	$ 639,436	$ 183,132
Employee Contributions	$ 2,195,107	$ 2,015,289	$ 1,886,540	$ 1,753,556	$ 1,650,763	$ 1,521,516	$ 1,262,233	$ 1,032,653	$ 860,336	$ 729,123
Employee Prior Service Contributions	$ 21,524	$ 12,149	$ 10,364	$ 13,889	$ 16,731	$ 20,567	$ 124,195	$ 92,764	$ 78,021	$ 184,202
Employer Contributions	$ 2,192,325	$ 2,015,316	$ 1,886,793	$ 1,753,657	$ 1,648,621	$ 1,520,819	$ 1,263,298	$ 1,032,715	$ 860,336	$ 729,123
Pension Payments	$ 822,243	$ 710,448	$ 559,207	$ 445,218	$ 373,014	$ 245,619	$ 140,443	$ 82,845	$ 49,047	$ 20,265
Refund of Contributions & Interest	$ 388,096	$ 360,402	$ 426,179	$ 244,651	$ 182,903	$ 174,019	$ 283,298	$ 183,498	$ 151,627	$ 109,485
Reciprocal Agreement - Transfers In	$ 33,690	$ 46,325	$ 17,448	$ 34,811	—	—	—	—	—	—
Reciprocal Agreement - Transfers Out	—	$ 37,847	$ 29,779	$ 45,832	$ 16,340	$ 59,797	—	—	—	—
General Expenses	$ 213,773	$ 179,956	$ 142,818	$ 113,343	$ 120,699	$ 102,078	$ 120,392	$ 103,557	$ 36,952	$ 31,600
Participants in Fund	2,248	2,119	1,973	1,840	1,807	1,797	1,703	1,518	1,346	1,236
Employers Participating	265	260	257	247	243	241	238	236	228	218
Pensioners & Other Recipients	295	260	215	186	155	121	91	71	48	27
Terminated Employees	100	82	110	91	85	109	183	138	163	130
Disability Part of the Pension Plan										
Employee Contributions	$ 164,182	$ 150,141	$ 142,311	$ 130,668	$ 117,978	$ 105,918	$ 49,415			
Employer Contributions	$ 176,944	$ 158,053	$ 140,830	$ 130,097	$ 115,978	$ 100,427	$ 46,532			
Pension Payments	$ 166,974	$ 223,279	$ 115,329	$ 55,135	$ 44,575	$ 15,929	—			
Refund of Contributions & Interest	$ 12,186	$ 11,915	$ 18,483	$ 9,232	$ 7,193	$ 2,853	—			
Employers Participating	205	199	193	189	185	182	174			
Employees in Receipt of Disability Benefits	38	39	27	12	7	4	1			
Group Life Insurance Plan										
Employee Contributions	$ 203,804	$ 187,604	$ 174,768	$ 161,914	$ 149,306	$ 134,791	$ 97,039	$ 65,286	$ 55,107	$ 50,046
Employer Contributions	$ 180,782	$ 162,947	$ 151,077	$ 139,209	$ 128,015	$ 115,191	$ 80,579	$ 51,580	$ 44,055	$ 41,230
Death Claims	$ 290,341	$ 281,250	$ 42,000	$ 184,500	$ 126,170	$ 224,603	$ 142,000	$ 137,618	$ 29,000	$ 131,000
Employers Participating	221	217	212	206	203	201	199	196	188	175

Report Highlights (continued)

10 Year Fund Assets

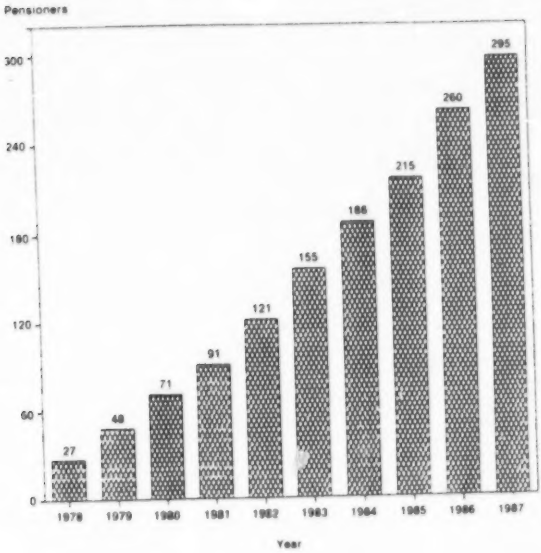


Employees by Year



Report Highlights (continued)

Pensioners by Year



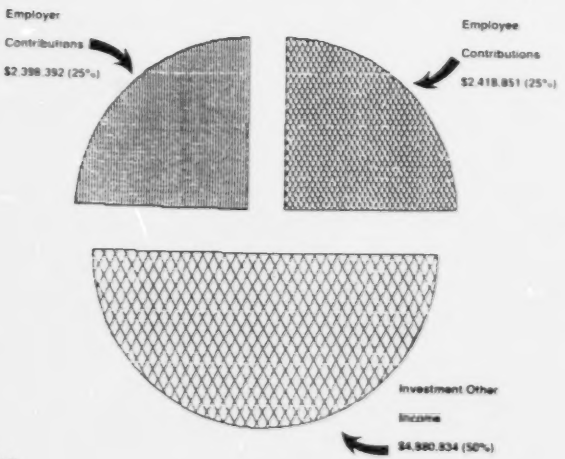
Municipal Employees Benefits Program

Pension Plan Activities

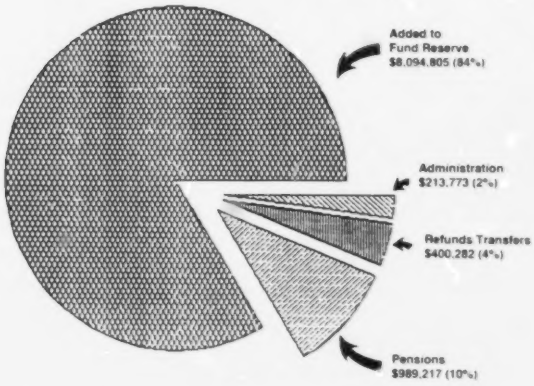
Pension Plan activities in 1987 compared with 1986 are displayed as follows:

	1987	1986	Increase (Decrease)
Book Value of Investments	$52,937,614	$44,686,299	$8,251,315
Investment Income	$ 4,865,009	$ 4,395,536	$ 469,473
Employee Contributions	$ 2,195,107	$ 2,015,289	$ 179,818
Employee Prior Service Payments	$ 21,524	$ 12,149	$ 9,375
Employer Contributions	$ 2,192,325	$ 2,015,316	$ 177,009
Pension Payments	$ 822,243	$ 710,448	$ 111,795
Refund of Contributions & Interest	$ 388,096	$ 360,402	$ 27,694
Reciprocal Agreement			
Employee & Employer Contributions & Interest			
— Transfers In	$ 33,690	$ 46,325	$ (12,635)
— Transfers Out	$ —	$ 37,847	$ (37,847)
General Expenses	$ 213,773	$ 179,956	$ 33,817
Participants in Fund	2,248	2,119	129
Employers Participating	265	260	5
Pensioners & Other Recipients	295	260	35
Terminated Employees	100	82	18

Pension and Disability Pension Income



Disbursement of Income



Participation

In 1987, the following employers began participating:

Alonsa Conservation District
Lynn Lake Recreation Board
Portage Plains Regional Library
South Riding Mountain Planning District
Turtle Mountain Conservation District
Village of Elkhorn

As at December 31, 1987, 195 municipal corporations plus 70 quasi-municipal organizations were participating in the Pension Plan. One quasi-municipal organization was disbanded. Participating municipalities with contributing members are listed in Appendix 1, The Report of the Provincial Auditor's Office.

In 1987, 246 employees joined the Plan, bringing the total participants to 2,248. (This figure includes 33 members who were advised to remain in prior pension plans but who contribute to the Disability Pension Part of the Plan.)

Pension Benefits

In 1987, pensions paid totalled $822,243, a net increase of $111,795 over 1986. Figures have been restated retroactive to the year ended December 31, 1982 to allocate to pension payments under the Pension Part of the Plan that portion of the disability pensions that were accrued pensions, with only the balance being charged to long term disability pension payments. In 1987, this change resulted in increasing regular pensions paid and decreasing long term disability pensions paid by $52,387 (1986 - $54,818).

As at December 31, 1987, pensions were payable to 263 pensioners, 14 beneficiaries, and 18 spouses of employees who died in service. In 1987, 1 employee died in service and the spouse is receiving a lifetime annuity, guaranteed for 10 years. There were 38 new retirements in 1987.

New retirees elected the following pension options:

Pension reducing to two-thirds at pensioner's death	24
Pension reducing to one-half at pensioner's death	1
10 Year Guarantee	1
15 Year Guarantee	4
Lifetime*	8
Total	**38**

*NOTE: The majority of pensioners who elected the lifetime pension were either single or had small pensions due to short service.

An amendment to the Pension Benefits Act, effective January 1, 1984, requires that employees who at the time of retirement have a spouse must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory form of pension may be waived if the employee's spouse completes a spousal waiver form.

Since 1981, the Municipal Employees Benefits Board has extended to employees who elect to retire early the option of "integrating" their MEBB pension and receiving advances on their Old Age Security and or Canada Pension. In 1987, seven retirees chose to integrate.

As at December 31, 1987 there were 59 members with paid-up or deferred pensions.

Cost-of-Living Adjustment in Pensions

Effective July 1, 1987, a cost-of-living adjustment was paid to eligible pensioners and beneficiaries whose deceased spouses retired prior to July 1, 1986. Cost-of-living adjustments equalling 50% of the 4.17% increase in the Consumer Price Index for 1986, or 2.08%, were paid. Each employee entitled to the full increase received 24¢ per month for each year of contributory service to a maximum of 35 years plus 1.04% of the ordinary lifetime pension.

Beneficiaries receive two-thirds of the increase which would have been paid had the retired employee been alive at the date of increase.

Pension Refunds

In 1987, refunds totalling $400,282 were paid. This included refunds of pension contributions and interest, disability pension contributions and interest, plus excess employee contributions and interest (50% test)*. These refunds are divided as follows:

	Number of Employees	Amount of Payment
Terminated Employees - full refund	75	$223,977
Terminated Employees - combination refund and paid-up pension	25	93,458
Transfers out re: marriage breakup	4	30,024
Refund to estates of deceased employees	2	43,042
Refund re: overpayments	51	4,421
Refund of excess on retirement	7	1,036
Refund of Unused Contributions of deceased pensioner	1	4,324
		$400,282

*NOTE: If the accumulated employee contributions for the benefit after January 1, 1985 have a value in excess of 50% of the present value of the benefits, the excess must be refunded to the employee or used to provide additional benefits.

Prior Employment Recognition

Up to the end of 1981, the Municipal Employees Benefits Board allowed the purchase of prior service benefits by employees who were ernployed by municipalities or quasi-municipal organizations prior to the introduction of the MEBB Pension Plan in 1976. When a new employer joins the Plan, the existing employees are also given the opportunity to purchase prior service benefits if they elect to do so within three months of the employer's effective date of participation. In 1987, the Board received payments from or on behalf of 16 employees who had elected to obtain credit for prior non-contributory service. These payments totalled $33,802 in 1987.

Reciprocal Pension Agreements - Other Jurisdictions

Reciprocal agreements permitting the transfer of pension credits between MEBB and the following pension plan authorities were in effect at calendar year end.

- Alberta Local Authorities Pension Board
- Saskatchewan Municipal Employees Superannuation Commission
- Ontario Municipal Employees Retirement Board (OMERS)
- Government of Canada — Public Service Pension Plan

Reciprocal Pension Agreements - Manitoba Transfers

At 1987 year end, 22 employees whose contributions remain in the MEBB Plan had transferred to the Manitoba Civil Service Superannuation Plan. Pensions paid to these employees at retirement will be based on the best six years earnings out of the last 12 years with the province and/or municipal employer.

	Transfers to MEBB in 1987		Transfers from MEBB in 1987	
	Number	Amount	Number	Amount
OMERS	1	$33,690	—	—

Disability Pension Part of the Plan

The Disability Pension Part of the Plan came into being on June 1, 1981. Activities in 1987 compared with 1986 are as follows:

Disability Pension Part of the Plan	1987	1986	Increase (Decrease)
Employee Contributions	$164,182	$150,141	$ 14,041
Employer Contributions	$176,944	$158,053	$ 18,891
Pension Payments	$166,974	$223,279	$(56,305)
Refund of Contributions & Interest	$ 12,186	$ 11,915	$ 271
Employers Participating	205	199	6
Employees in Receipt of Disability Benefits	38	39	(1)

Comparative figures for the year ended December 31, 1986 have been restated to allocate to pension payments under the Pension Part of the Plan that portion of the disability pensions that were accrued pensions, with only the balance being charged to long term disability pension payments. In 1987 this change resulted in increasing regular pensions paid and decreasing long term disability pensions paid by $52,387 (1986 - $54,818).

Group Life Insurance Plan

At 1987 year end, 162 municipal corporations plus 59 quasi-municipal organizations participated in the group life insurance program. Activities in 1987 compared with 1986 are as follows:

Group Life Insurance Plan	1987	1986	Increase (Decrease)
Employee Contributions	$203,804	$187,604	$16,200
Employer Contributions	$180,782	$162,947	$17,835
Death Claims	$290,341	$281,250	$ 9,091
Employers Participating	221	217	4

Municipal Employees Benefits Board Information Services

Board staff members are available to answer inquiries or meet individually with any employee (and spouse, family, etc.) who wishes information and assistance on termination or retirement planning or other matters of concern. During 1987, many municipal employees and spouses took advantage of this information and counselling service.

In 1987, the Municipal Employees Benefits Board conducted five informational seminars and two day-long pre-retirement counselling seminars. Also, two workshops were conducted at the Annual Convention of the Manitoba Municipal Administrators' Association.

An Annual Employee Benefits Statement detailing plan member's status, contributions, contributory service, current and projected pension benefits, and the amount of group insurance coverage was distributed to each member. Members were also sent a copy of the Annual Report.

Report on Changes in Status - Participants

For the year ended December 31, 1987

Males

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1987
-19	3	1			2
20-24	20	7			61
25-29	35	15			205
30-34	29	10			250
35-39	21	9	1		258
40-44	20	6			212
45-49	10	5			186
50-54	11	1			205
55-59	6	1	1	6	189
60-	7			26	153
	162	55	2	32	1721

Females

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1987
-19	1				1
20-24	21	5			56
25-29	16	8			77
30-34	16	2			83
35-39	13	2			80
40-44	7	2			84
45-49	6	1			68
50-54	3				34
55-59	1		1		26
60-				6	18
	84	20	1	6	527
Totals	**246**	**75**	**3**	**38**	**2248**

Actuarial Studies

Pension Plan Benefit Improvements Financed Out of Actuarial Surplus

The January 1, 1986 Actuarial Report disclosed a surplus of $2,445,523 based on the service to date valuation method. The Board used a portion of the surplus to finance the following improvements in benefits effective July 1, 1987:

(1) The early retirement reduction was lowered from 1/8 of 1% to 1/16 of 1% for each month that an employee retires prior to attaining age 60. The actuarial cost of this benefit was $62,900.

(2) The pension formula was improved by reducing from 7 to 6, the number of years used in calculating a member's final average earnings. The cost of this benefit was $1,012,900.

The remainder of the surplus shall remain in the Fund as a reserve for future contingencies.

Investments

The following comparative table illustrates investments held in trust by the Municipal Employees Benefits Board as of December 31, 1987.

Investment Holdings	1987 ($000)	1986 ($000)	Increase (Decrease) ($000)
Bonds:			
Federals & Provincials	3,040	3,929	(889)
City & Municipal	750	814	(64)
Corporate	9,308	4,812	4,496
Pooled Bond Funds	5,786	5,245	541
Calendar Year Funds	3,004	3,424	(420)
	21,888	18,224	3,664
Mortgages:			
CMHC Insured	2,508	1,762	746
Pooled Mortgage Funds	15,888	12,180	3,708
	18,396	13,942	4,454
Short Term Certificates	1,041	2,849	(1,808)
Equities			
Common Stock	5,312	4,461	851
Petroleum & Natural Gas Interests	607	545	62
	5,919	5,006	913
Real Estate	5,385	4,546	839
Total	**52,629**	**44,567**	**8,062**

NOTE: The average yield on new bonds purchased in 1987 was 11.1%.

Appendix 1

Manitoba

The Municipal Employee Benefits Fund

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A to G and Schedules 1 to 4, of The Municipal Employee Benefits Fund for the fiscal year ended December 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

F.H. Jackson, C.A.,
Provincial Auditor

March 25, 1988,
Winnipeg, Manitoba

Exhibit A
The Municipal Employee Benefits Fund

Balance Sheet - Pension Fund

as at December 31, 1987
(with 1986 figures for comparison)

	1987	1986
ASSETS		
Cash	$ 140,229	$ 10,113
Employees' and employers' contributions receivable	454,830	328,869
Investments, Schedule 1, Note 2(a)	52,937,614	44,686,299
Accrued investment income	407,146	520,054
Computer Equipment, Note 2(d)	14,274	5,913
	$53,954,093	$45,551,248
LIABILITIES		
Cheques issued and outstanding	$ 220,185	$ 11,979
Accounts payable	26,590	42,560
Money Purchase Accounts Plan, Exhibit G, Note 8	20,559	7,105
Provision for investment losses, Exhibit E, Note 2(b)	519,472	417,122
Pension indexing adjustment account, Exhibit F, Note 5	3,305,992	2,956,856
Reserve for present and future pension benefits, Exhibit C	49,861,295	42,115,626
	$53,954,093	$45,551,248

Exhibit B
The Municipal Employee Benefits Fund

Balance Sheet - Insurance Fund

as at December 31, 1987
(with 1986 figures for comparison)

	1987	1986
ASSETS		
Cash	$ 26,159	$ 29,364
Employees' and employers' contributions accrued, Note 2(f)	30,951	27,476
Funds on deposit with The Prudential Assurance Company Limited	131,133	131,479
Term deposits	500,000	350,000
Accrued interest	7,287	3,988
	$695,530	$542,307
LIABILITIES		
Accounts payable	$ 2,734	$ 1,953
Insurance contributions account, Note 2(f)	32,701	29,381
Reserve for present and future insurance benefits, Exhibit D	660,095	510,973
	$695,530	$542,307

Exhibit C
The Municipal Employee Benefits Fund

Statement of Changes in the Reserve for Present and Future Pension Benefits

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Employers' and employees' contributions, Schedule 2	$ 4,817,243	$ 4,400,365
Investment income, net, Schedule 3	4,865,009	4,395,536
Experience refund re prior carrier, Note 3	4,019	140,765
Bank and other interest	11,806	8,676
Total additions	9,698,077	8,945,342
Deductions:		
Pension — regular	822,243	710,448
— long-term disability	166,974	223,279
Refunds of contributions and interest, Note 2(c)	400,282	372,317
Payments of contributions and interest to other pension plans	—	37,847
Administrative expenses, Schedule 4, Note 4	213,773	179,956
Total deductions	1,603,272	1,523,847
Net increase for the year	**$8,094,805**	**$ 7,421,495**

Changes in the Reserve for Present and Future Pension Benefits

Balance at beginning of year	$42,115,626	$35,022,123
Net increase for the year	8,094,805	7,421,495
Net transfer to pension indexing adjustment account, Exhibit F	(349,136)	(327,992)
Balance at end of year, Exhibit A	**$49,861,295**	**$42,115,626**

Exhibit D
The Municipal Employee Benefits Fund

Statement of Changes in the Reserve for Present and Future Insurance Benefits

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Contributions:		
Employees	$203,804	$187,603
Employers	180,782	162,947
Total contributions	384,586	350,550
Interest income	36,345	15,743
(Decrease) increase in experience surplus held by The Prudential Assurance Company Limited, Note 7(a)	(346)	6,021
Insurance experience refund, Note 7	43,880	154,816
Total additions	464,465	527,130
Deductions:		
Actuarial fees	13,698	14,442
Premiums to The Prudential Assurance Company Limited	301,645	284,704
Total deductions	315,343	299,146
Net increase for the year	**$149,122**	**$227,984**

Changes in the Reserve for Present and Future Insurance Benefits

Balance at beginning of year	$510,973	$282,989
Net increase for the year	149,122	227,984
Balance at end of year, Exhibit B	**$660,095**	**$510,973**

Exhibit E
The Municipal Employee Benefits Fund

Statement of Changes in the Provision for Investment Losses

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Transfer from investment income, Schedule 3	$102,350	$ 86,653
Total additions	102,350	86,653
Balance at beginning of year	417,122	330,469
Balance at end of year, Exhibit A	**$519,472**	**$417,122**

Exhibit F
The Municipal Employee Benefits Fund

Statement of Changes in the Pension Indexing Adjustment Account

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Interest	$ 375,457	$ 342,162
Total additions	375,457	342,162
Deductions:		
Charge for pension cost-of-living adjustments	26,321	14,170
Net transfer from reserve for present and future pension benefits, Exhibit C, Note 5	349,136	327,992
Balance at beginning of year	2,956,856	2,628,864
Balance at end of year, Exhibit A	**$3,305,992**	**$2,956,856**

Exhibit G
The Municipal Employee Benefits Fund

Statement of Money Purchase Accounts Plan

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Deposits	$12,850	$6,955
Interest	604	150
Total additions	$13,454	$7,105
Balance at beginning of year	7,105	—
Balance at end of year, Exhibit A	**$20,559**	**$7,105**

Schedule 1
The Municipal Employee Benefits Fund

Summary of Investments

as at December 31, 1987

	Par Value	Book Value
Fixed income investments:		
Term deposits	$ 1,040,792	$ 1,040,792
Bonds and debentures:		
Government of Canada	$ 2,685,000	$ 2,689,533
Province of Ontario	100,000	100,000
Province of Saskatchewan	250,000	250,000
Hospitals	250,000	250,000
Municipal Corporations	500,000	500,000
Corporations	9,414,000	9,308,080
	$13,199,000	13,097,613
Pooled bond funds		5,786,322
Calendar year funds		3,003,982
Mortgages — National Housing Act (Canada)	$ 2,536,790	2,508,260
Pooled mortgage funds		15,888,148
Unamortized net gains on disposition		(385,279)
Total fixed income investments at amortized cost, Note 2 (a) (i)		40,939,838
Equity investments:		
Pooled equity funds		5,312,130
Petroleum & natural gas investments, shares		606,875
Real estate		
Units of pooled real estate		5,385,347
Unamortized gains on dispositon		(6,675)
Unrealized appraisal adjustments		700,099
Total equity investments, Note 2(a)(ii)		$11,997,776
Total Investments, Exhibit A		**$52,937,614**

Schedule 2
Page 1
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Municipal corporations	Employers' contributions	Employees' contributions	Total
Cities			
Brandon	$ 526,644	$ 526,644	$1,053,288
Flin Flon	61,699	61,699	123,398
Portage la Prairie	75,624	78,278	153,902
Thompson	149,163	149,063	298,226
	813,130	815,684	1,628,814
Local government districts			
Alexander	4,809	4,809	9,618
Alonsa	1,114	1,111	2,225
Armstrong	852	852	1,704
Churchill	43,427	43,427	86,854
Consol	1,182	1,182	2,364
Fisher	3,171	3,171	6,342
Gillam	31,707	31,707	63,414
Grahamdale	708	708	1,416
Grand Rapids	4,114	4,114	8,228
Lynn Lake	12,445	12,445	24,890
Mountain	680	680	1,360
Mystery Lake	11,071	11,071	22,142
Park	446	446	892
Pinawa	21,090	21,093	42,183
Reynolds	898	898	1,796
	137,714	137,714	275,428
Rural municipalities			
Albert	1,091	1,091	2,182
Argyle	4,563	4,563	9,126
Arthur	2,639	2,639	5,278
Bifrost	4,316	4,316	8,632
Birtle	3,604	3,604	7,208
Blanshard	3,178	3,178	6,356
Brenda	5,630	5,630	11,260
Brokenhead	5,638	5,638	11,276
Cameron	2,937	2,937	5,874
Subtotal, carried forward	$ 33,596	$ 33,596	$ 67,192

Schedule 2
Page 2
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 33,596	$ 33,596	$ 67,192
Rural municipalities (cont'd)			
Cartier	5,590	5,590	11,180
Clanwilliam	1,931	1,931	3,862
Coldwell	2,621	2,621	5,242
Cornwallis	3,853	3,853	7,706
Daly	2,415	2,415	4,830
Dauphin	9,468	9,468	18,936
De Salaberry	8,088	8,088	16,176
Dufferin	9,322	9,322	18,644
East St. Paul	14,264	14,264	28,528
Edward	6,369	6,369	12,738
Ellice	1,717	1,717	3,434
Elton	3,258	3,258	6,516
Eriksdale	1,946	1,946	3,892
Franklin	7,224	7,224	14,448
Gilbert Plains	6,040	6,040	12,080
Gimli	8,228	8,228	16,456
Glenella	1,580	1,580	3,160
Glenwood	2,142	2,142	4,284
Grandview	6,401	6,401	12,802
Grey	7,123	7,123	14,246
Hamiota	2,405	2,405	4,810
Hanover	11,688	11,688	23,376
Harrison	2,797	2,797	5,594
Hillsburg	2,742	2,742	5,484
La Broquerie	3,992	3,992	7,984
Lac du Bonnet	8,482	8,482	16,964
Lakeview	1,783	1,783	3,566
Langford	3,150	3,150	6,300
Lansdowne	3,508	3,508	7,016
Lawrence	4,130	4,130	8,260
Lorne	5,812	5,812	11,624
Louise	3,921	3,921	7,842
Macdonald	14,734	14,734	29,468
McCreary	1,722	1,722	3,444
Miniota	4,551	4,551	9,102
Minitonas	4,951	4,951	9,902
Minto	2,010	2,010	4,020
Subtotal, carried forward	$ 225,554	$ 225,554	$ 451,108

Schedule 2
Page 3
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 225,554	$ 225,554	$ 451,108
Rural municipalities (cont'd)			
Montcalm	6,296	6,296	12,592
Morris	13,012	13,012	26,024
Morton	2,256	2,256	4,512
Mossey River	3,022	3,022	6,044
North Cypress	7,000	7,000	14,000
North Norfolk	7,458	7,458	14,916
Ochre River	1,943	1,943	3,886
Odanah	1,823	1,823	3,646
Pembina	9,240	9,240	18,480
Pipestone	9,002	9,002	18,004
Portage la Prairie	26,880	26,880	53,760
Rhineland	9,916	9,916	19,832
Ritchot	8,100	8,100	16,200
Riverside	1,774	1,774	3,548
Roblin	4,360	4,360	8,720
Rockwood	8,434	8,434	16,868
Roland	4,302	4,302	8,604
Rosedale	7,089	7,089	14,178
Rosser	4,702	4,702	9,404
Russell	328	328	656
St. Andrews	13,602	13,602	27,204
Ste. Anne	3,728	3,728	7,456
St. Clements	11,137	11,137	22,274
St. Francois Xavier	1,299	1,299	2,598
St. Laurent	1,678	1,678	3,356
Ste. Rose	3,024	3,024	6,048
Saskatchewan	3,317	3,317	6,634
Shellmouth	4,342	4,342	8,684
Shell River	4,588	4,588	9,176
Shoal Lake	836	836	1,672
Sifton	3,194	3,194	6,388
Siglunes	2,473	2,473	4,946
Silver Creek	2,705	2,705	5,410
South Cypress	5,818	5,818	11,636
South Norfolk	2,562	2,562	5,124
Springfield	18,829	18,829	37,658
Subtotal, carried forward	$ 445,623	$ 445,623	$ 891,246

Schedule 2
Page 4
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 445,623	$ 445,623	$ 891,246
Rural municipalities (cont'd)			
Stanley	8,583	8,583	17,166
Strathclair	2,055	2,055	4,110
Strathcona	3,291	3,291	6,582
Swan River	5,457	5,457	10,914
Tache	8,334	8,334	16,668
Thompson	5,095	5,095	10,190
Turtle Mountain	2,854	2,854	5,708
Victoria	4,075	4,075	8,150
Victoria Beach	4,318	4,318	8,636
Wallace	5,007	5,007	10,014
Westbourne	7,896	7,896	15,792
West St. Paul	6,867	6,867	13,734
Whitehead	2,752	2,752	5,504
Whitemouth	2,969	2,969	5,938
Whitewater	3,227	3,227	6,454
Winchester	5,653	5,653	11,306
Woodlands	6,752	6,752	13,504
Woodworth	4,161	4,161	8,322
	534,969	534,969	1,069,938
Towns			
Altona	16,499	16,499	32,998
Beausejour	10,812	10,812	21,624
Birtle	2,947	2,947	5,894
Boissevain	4,987	4,987	9,974
Carberry	5,243	5,242	10,485
Carman	7,466	7,466	14,932
Dauphin	53,549	53,580	107,129
Deloraine	6,707	6,707	13,414
Emerson	3,086	3,086	6,172
Gimli	8,243	8,243	16,486
Gladstone	2,900	2,900	5,800
Grandview	5,444	5,444	10,888
Hartney	2,107	2,107	4,214
Killarney	6,183	6,183	12,366
Subtotal, carried forward	$ 136,173	$ 136,203	$ 272,376

Schedule 2
Page 5
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 136,173	$ 136,203	$ 272,376
Towns (cont'd)			
Leaf Rapids	17,065	17,065	34,130
Melita	4,977	4,977	9,954
Minnedosa	12,097	12,097	24,194
Morden	24,211	24,211	48,422
Morris	4,824	4,824	9,648
Neepawa	19,867	19,867	39,734
Rapid City	264	264	528
Rivers	4,696	4,696	9,392
Roblin	9,602	9,601	19,203
Russell	6,155	6,155	12,310
Selkirk	59,842	59,842	119,684
Snow Lake	10,077	10,077	20,154
Souris	8,905	8,905	17,810
Steinbach	30,224	30,775	60,999
Stonewall	10,184	10,184	20,368
Swan River	19,578	19,578	39,156
The Pas	42,846	42,846	85,692
Virden	14,362	14,362	28,724
Winkler	22,469	22,469	44,938
Winnipeg Beach	7,522	7,522	15,044
	465,940	466,520	932,460
Villages			
Arborg	3,502	3,502	7,004
Benito	2,090	2,090	4,180
Binscarth	699	699	1,398
Bowsman	1,468	1,468	2,936
Cartwright	1,121	1,121	2,242
Crystal City	2,007	2,007	4,014
Dunnottar	5,859	5,859	11,718
Elkhorn	1,109	1,109	2,218
Erickson	1,955	1,955	3,910
Gilbert Plains	4,470	4,470	8,940
Glenboro	2,294	2,294	4,588
Gretna	1,582	1,582	3,164
Hamiota	4,936	4,936	9,872
Subtotal, carried forward	$ 33,092	$ 33,092	$ 66,184

Schedule 2
Page 6
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 33,092	$ 33,092	$ 66,184
Villages (cont'd)			
Lac du Bonnet	4,044	4,011	8,055
MacGregor	1,615	1,615	3,230
Manitou	1,922	1,922	3,844
McCreary	422	422	844
Minitonas	880	880	1,760
Niverville	3,589	3,589	7,178
Notre Dame de Lourdes	1,705	1,705	3,410
Pilot Mound	2,510	2,510	5,020
Plum Coulee	2,086	2,086	4,172
Powerview	1,897	1,897	3,794
Riverton	1,390	1,390	2,780
Ste. Anne	8,077	8,077	16,154
St. Claude	1,905	1,905	3,810
St. Lazare	849	849	1,698
St. Pierre	2,660	2,659	5,319
Ste. Rose du Lac	1,936	1,936	3,872
Shoal Lake	2,405	2,405	4,810
Somerset	1,402	1,402	2,804
Teulon	2,457	2,457	4,914
Treherne	3,311	3,311	6,622
Waskada	770	770	1,540
Wawanesa	597	597	1,194
Winnipegosis	2,982	2,982	5,964
	84,503	84,469	168,972
Quasi-municipal organizations			
Weed control boards and districts			
Agassiz	1,110	1,110	2,220
Argyle-Lorne-Somerset	956	956	1,912
Arthur-Edward	933	933	1,866
Brenda-Winchester	915	915	1,830
Cameron-Sifton	691	691	1,382
Dauphin-Ochre	934	934	1,868
Franklin	1,012	1,012	2,024
Gilbert Plains-Grandview	703	703	1,406
Subtotal, carried forward	$ 7,254	$ 7,254	$ 14,508

Schedule 2
Page 7
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 7,254	$ 7,254	$ 14,508
Weed control boards and districts (cont'd)			
Glenboro-South Cypress	880	880	1,760
Louise-Roblin	902	902	1,804
Macdonald	946	946	1,892
North Norfolk and District	1,146	1,146	2,292
North Cypress	466	466	932
Pembina-Manitou	1,455	1,455	2,910
Pipestone-Albert	958	958	1,916
Red River	972	972	1,944
Rockwood-Rosser	1,042	1,042	2,084
Rosedale-Langford-Neepawa	578	578	1,156
Selkirk	1,173	1,173	2,346
South Central	968	968	1,936
Southeast	843	843	1,686
Springfield-Tache	1,206	1,206	2,412
Stanley-Thompson	892	892	1,784
Stuartburn-Piney	1,012	1,012	2,024
Wallace	323	323	646
Westbourne	902	902	1,804
Whitemouth-Reynolds	995	995	1,990
	24,913	24,913	49,826
Other			
Alonsa Conservation District	1,321	1,321	2,642
Boissevain-Morton Regional Library	750	750	1,500
Boyne Regional Library	581	581	1,162
Brandon and Area Planning District	7,684	7,684	15,368
Brokenhead River Planning District	749	749	1,498
Carberry Plains Cemetery	747	747	1,494
Carberry Plains Community Centre Board	995	995	1,990
Carman-Dufferin Recreation Commission	2,981	2,981	5,962
Subtotal, carried forward	$ 15,808	$ 15,808	$ 31,616

Schedule 2
Page 8
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 15,808	$ 15,808	$ 31,616
Other (cont'd)			
Dauphin Memorial Community Centre	1,625	1,625	3,250
Dauphin-Ochre Parks and Recreation Commission	847	847	1,694
Flin Flon Recreation Commission	13,844	13,844	27,688
Jolys Regional Library	549	549	1,098
Leaf Rapids Town Properties	5,985	5,985	11,970
Lynn Lake Recreation Board	1,229	931	2,160
Manitoba Association of Urban Municipalities	2,982	2,982	5,964
Minnedosa Regional Library	1,052	1,052	2,104
Morden-Stanley-Thompson-Winkler Planning District	3,420	3,420	6,840
Municipal Employees Benefits Board	3,516	3,516	7,032
North Cypress-Carberry-Elton Recreation District	799	799	1,598
Neepawa and Area Planning District	368	368	736
Northern Community Councils	36,527	36,527	73,054
Parkland Regional Library	5,886	5,886	11,772
Portage Plains Regional Library	910	910	1,820
Reston District Library Board	530	530	1,060
Selkirk and District Planning Area Board	1,457	1,457	2,914
South Central Regional Library Board	1,776	1,776	3,552
South Interlake Planning District Board	2,112	2,112	4,224
South Interlake Regional Library Board	920	920	1,840
South Riding Mountain Planning District	315	315	630
Southwestern Manitoba Regional Library	895	895	1,790
St. Malo Arena Board	1,338	1,338	2,676
Subtotal, carried forward	$ 104,690	$ 104,392	$ 209,082

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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1987

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 104,690	$ 104,392	$ 209,082
Other (cont'd)			
Turtle Mountain Conservation District	1,754	1,754	3,508
Turtle River Watershed Conservation District No.2	2,201	2,201	4,402
Union of Manitoba Municipalities	3,607	3,607	7,214
Unincorporated Village District of Cranberry Portage	2,478	2,478	4,956
Western Manitoba Centennial Auditorium	3,718	3,718	7,436
Western Manitoba Regional Library Board	5,574	5,554	11,128
Whitemud Watershed Conservation District No. 1	6,293	6,293	12,586
Winnipeg River Planning District	841	841	1,682
	131,156	130,838	261,994
Total regular pension contributions	2,192,325	2,195,107	4,387,432
Contributions based on prior non-pensionable employment	12,278	21,524	33,802
Long-term disability pensions	176,944	164,182	341,126
Receipts from other pension plans re transfer of employee benefits under reciprocal agreements	16,845	16,845	33,690
Transfer from prior carrier, Note 3	—	21,193	21,193
Total pension contributions, Exhibit C	**$2,398,392**	**$2,418,851**	**$4,817,243**

Schedule 3
The Municipal Employee Benefits Fund

Statement of Investment Income

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Fixed income, Note 2(a)(i):		
Interest	$ 4,197,389	$ 3,723,699
Amortization of discounts and premiums	28,969	20,451
Amortization of net realized gains, Note 2(a)(i)	54,752	49,824
Transfer to provision for investment losses, Exhibit E	(102,350)	(86,653)
	4,178,760	3,707,321
Equity income, Note 2(a)(ii):		
Real estate — dividends and interest	290,689	285,522
Other dividends and interest	194,559	200,522
Partial unrealized appraisal adjustments, net, Note 2(a)(ii)	214,052	215,167
Amortization of realized gains	6,675	6,675
	705,975	707,886
Gross investment income	$ 4,884,735	$ 4,415,207
Less, investment related expenses, Note 9	19,726	19,671
Total investment income, Exhibit C	**$ 4,865,009**	**$4,395,536**

Schedule 4
The Municipal Employee Benefits Fund

Statement of Administrative Expenses

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Salaries and fringe benefits:		
Salaries — permanent staff	$128,593	$ 88,141
Salaries — part-time staff	6,491	19,321
Fringe benefits	10,076	6,824
Health and post-secondary education tax levy	—	723
	145,160	115,009
Professional fees:		
Actuary	26,225	49,390
Audit	10,775	10,625
	37,000	60,015
Printing and stationery:		
Printing	12,217	5,292
Stationery and supplies	5,602	1,064
	17,819	6,356
Other:		
Bank and investments	1,643	4,042
Computer related costs	9,689	6,241
Furniture and fixtures	6,879	520
Medical examinations	4,093	2,243
Miscellaneous	2,100	1,069
Seminars and travelling	7,471	2,901
Telephone, postage and delivery	1,645	1,231
	33,520	18,247
Total administrative expenses	$233,499	$199,627
Less:		
Investment related expenses, Note 9	19,726	19,671
Total administrative expenses, net, Exhibit C	**$213,773**	**$179,956**

The Municipal Employee Benefits Fund

Notes to the Financial Statements

for the year ended December 31, 1987

1. **Nature of the Organization:**

The Municipal Employees Benefits Board was established under The Municipal Act in 1976 and is responsible for administering the Municipal Employee Benefits Fund. This Fund is the vehicle through which pension (regular and long term disability) and group insurance programs are delivered for municipal and quasi-municipal employees. These programs are provided for by regulation under The Municipal Act. The administrative expenses incurred in delivering these programs are set out in Schedule 4.

2. **Significant Accounting Policies:**

The significant accounting policies are summarized below:

(a) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Premiums and discounts of one percent or less of par value are reflected in income in the year of acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the investment commencing with the year of acquisition.

Gains or losses on disposition before maturity are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments.

Investment income is reduced annually by ¼ of 1% of the book value of investments to a maximum of the provision not exceeding 3% of the book value of the investments and the amount of the reduction is credited to the provision for investment losses.

(ii) Equity investments:

Equity investments are adjusted annually to reflect one-fifth of any unrealized gains or losses. One-fifth of the difference between market value and the adjusted book value at year end is reflected in income.

One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

(b) Provision for investment losses:

The provision for investment losses, shown in the Balance Sheet, does not reflect a valuation of the investments, but is maintained to stabilize and even out the investment income. Any impairment in the value of investments, if considered permanent by the Investment Committee, will be charged against the provision.

(c) Refunds:

The Fund's policy is to reflect refunds of employees' contributions on the cash method of accounting.

(d) Computer equipment:

Mini computer equipment costs are capitalized and amortized on a straight line basis over six years.

(e) Fixed Assets:

Furniture and equipment purchases are charged to operations in the year of acquisition.

(f) Group Life Insurance:

The Fund has included contributions by employees and participating organizations in the month of December pertaining to coverage for January in its accounts. This is reflected in the financial statements as insurance contributions accrued and is offset by the insurance contributions account.

3. **Transfers from Prior Carriers:**

The Municipal Employees Benefits Board's actuary has been arranging, on behalf of the Board, for the transfer of funds pertaining to municipal employees prior service from prior carriers for employees who have agreed to have these funds transferred to the Fund. As at December 31, 1987, transfers have been made amounting to $3,510,841 (1986 - $3,489,648). As at December 31, 1987, experience rating refunds have been received amounting to $579,617 (1986 - $575,598). Transfers which have been vested are shown as employee contributions.

The funds transferred remain with prior carriers who are holding them in trust for the Fund in accordance with the terms of the contracts. These contracts provide that the Fund, with minor restrictions, can take complete control of the funds with the following exceptions: one contract may not be terminated until April 1, 1988; one contract reserves the right to limit withdrawals of funds to 25% in any one year; and one contract provides for a penalty commencing at 5% and reducing progressively until eliminated by 1991. As a result of the transfers, the Board assumes responsibility for the related pension liabilities.

4. **Administrative Services:**

The Municipal Employees Benefits Board entered into an agreement with The Civil Service Superannuation Board to provide administrative services to The Municipal Employees Benefits Board with regard to its Pension Plan and Group Insurance Plan operations. In accordance with the terms of the agreement, The Municipal Employees Benefits Board reimburses The Civil Service Superannuation Board for the cost of these services. These costs amounted to $52,729 (1986 - $41,418) and are included in administrative expenses.

5. **Pension Indexing Adjustment Account:**

The Municipal Employees Benefits Board approved a revision to the cost-of-living program, effective July 1, 1985, which provides for cost-of-living adjustments to pension payments to a maximum of the lesser of 50% of the Consumer Price Index of Canada or 5%, subject to the ability of the Pension Adjustment Account to finance the increase without creating an unfunded liability. Also, on July 1, 1985, a pension indexing adjustment account was established to finance these cost-of-living adjustments. An initial transfer was made to this account from the reserve for present and future pension benefits in the amount of $2,376,200. Interest is credited semi-annually to the account at the average rate of return on fixed income investments during the three year period reviewed in the latest actuarial report on the finan-

cial position of the Pension Plan. Cost-of-living adjustments are charged to the account.

Effective July 1 of each year, cost-of-living pension adjustment payments are calculated in accordance with the reports prepared by the actuary and approved by the Board.

The annual actuarial valuation of the pension indexing adjustment account as at January 1, 1987 indicated that $2,789,455 was available to actuarially finance additional cost-of-living increases for pensioners. Effective July 1, 1987, the Board approved and paid the actuarially calculated pension adjustment for 1987 equal to:

(a) 1.04% (1986 - 1.09%) of the total lifetime pension plus any previously granted adjustments in that allowance, and

(b) 24¢ (1986 - 25¢) per month for each year of contributory service, to a maximum of 35 years.

for those employees who retired before January 1, 1986. Employees who retired after that date, but before July 1, 1987, were paid a pro-rata portion of the adjustment. Beneficiaries of deceased pensioners receive two-thirds of the adjustment that the pensioner would have been eligible for. The present value of the July 1, 1987 adjustment has been actuarially calculated to be equal to $110,200 as at January 1, 1987, leaving a balance of $2,679,255 available in the pension indexing adjustment account as at that date.

6. **Actuarial Reports:**

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Pension Fund on an actuarial valuation basis. In accordance with The Municipal Act, an actuarial valuation of the Pension Fund is required every three years. The most recent actuarial valuation report on the Pension Fund as at January 1, 1986 disclosed a surplus of $2,445,523 based on the service to date valuation method.

The actuarial valuation of the Insurance Fund as at January 1, 1986 disclosed a deficit of $1,086,951. The Actuary, in his report, stated that the existence of a deficit in the Insurance Fund is due to the actual experience being less favourable than expected. He also stated that the deficit is decreasing in terms of a percentage of total liabilities. The financial position of the Insurance Fund is expected to improve in the future based on a further improvement in claims experience and higher investment earnings.

7. **Insurance Fund Experience:**

(a) Experience Rating:

The Prudential Assurance Company Limited will, after the end of the policy year, determine whether a surplus or deficit has been incurred in accordance with the terms of the policy. The policy of the Fund is to recognize this surplus or deficit in the financial statements only after a final determination has been made. Interest is earned on a surplus and charged on a deficit from the end of the period for which the surplus or deficit is determined.

If the policy is in force at the end of the policy year, The Prudential Assurance Company Limited agrees to pay to the Board, the amount by which the surplus exceeds 50% of the premium paid to Prudential during the policy year just completed. In 1987, the Board received an experience refund of

excess surplus for the policy year ended December 31, 1986 plus interest amounting to $43,880 (1986 - $154,816) as shown in Exhibit D.

The surplus retained by The Prudential Assurance Company Limited but belonging to the Board at the end of the December 31, 1986 policy year amounted to $131,133 (1985 - $131,479).

(b) Termination:

If this policy is terminated, the surplus or deficit will be determined in accordance with the terms of the policy on a final settlement date, after taking into account any surplus or deficit carried forward from prior years. A final surplus will be paid as a refund while a final deficit will be the responsibility of The Prudential Assurance Company Limited.

8. **Money Purchase Accounts Plan:**

A Money Purchase Accounts Plan was established effective July 1, 1985. Eligible individuals may transfer to the Plan an amount from either the Fund or pension plan of a prior employer to provide for an annuity or other settlement in the future. The Plan is administered and accounted for separately by the Board for which the Board is authorized to charge the Plan with an administration fee. The accumulated value of the participant's account, upon election of an annuity under the Plan, will be transferred to an annuity reserve as part of the reserve for present and future benefits of the Fund.

9. **Investment Related Expenses:**

Investment Related Expenses were previously presented as expenses on Schedule 4 but are now shown as a reduction of investment income on Schedule 3. The Board approved the allocation of administrative expenses to the Investment Department on a prorated basis.

10. **Comparative Figures:**

Comparative figures for the year ended December 31, 1986 have been restated to conform with this year's presentation.